

Covid-19 Second Wave Hits Tobacco Auctions



Flue Cured Virginia (FCV) tobacco farmers in the country are a worried lot as they fear shrinkage in their earnings once again this year as the second wave of Covid-19 pandemic has hit leaf tobacco auctions for the second consecutive year. The Tobacco Board on May 17, 2021, has temporarily suspended auctions in Andhra Pradesh in view of the increasing Covid-19 cases across the state.

According to a recent news report in *The Hindu*, though tobacco auctioning in Andhra Pradesh had begun on a positive note in mid-March, the second wave of the coronavirus pandemic induced a correction in the prices of various grades of tobacco within just 20 days of the beginning of auctions. This came at a time when farmers were hoping to recover the loss in earnings incurred last year due to the pandemic-triggered prolonged auctions affecting crop quality and prices.

Major buyers of the produce, which is primarily exported to global markets, have been reluctant to take part in the auctions citing lack of good quality, uncertainty in exports and manufacturing activity with

the unprecedented surge in the Covid-19 infections. While the Tobacco Board tried its best to step up the number of bales traded in a day by at least 100, only 400 to 500 bales could be traded in the wake of sluggish market conditions, *The Hindu* reported citing Tobacco Board sources. If this disturbing trend continues, farmers producing the low and medium grades of tobacco will be worst affected, cautions another story published in *The Hindu*.

With the fresh wave of pandemic triggering a host of preventive measures and localised lockdowns in many parts of the country, FCV farmers are witnessing serious disruptions in tobacco trade for the second year in a row. The farmers still have a long way to go as only 27 million kgs of tobacco have been sold in Andhra Pradesh, according to *The Times of India* news story dated May 17, 2021. The authorized production for the state is 115 million kgs this year. Several spells of unseasonal rains during the rabi season also hit tobacco production in Nellore and Prakasam districts, as the early planted crops were destroyed and farmers had to fill the gap.

In 2020, the Government of Andhra Pradesh had to participate in tobacco auctions for the first time with the State-run AP Markfed bailing out the farmers by lifting low and medium grade stock. The aggrieved farmers now expect the AP Government to make a similar market intervention this year as well as and when auctioning resumes.

FCV farmers are also hoping for a timely intervention by the Tobacco Board to bring in buoyancy in the market. The farmers are upset with the fact that the Board collects cess and penalties from them for excess leaf production, but it is not effectively managing the auctions.

Many farmers in the neighbouring state Karnataka, where auctions for the 2020-21 crop season ended in March 2021, are also distressed as a substantial percentage of tobacco cultivated this year turned out to be low grade due to excessive rainfall, hitting prices.

“Out of the 88.42 million kg of tobacco which was sold during the recently concluded auction season in Karnataka, as much as 39.11 million kg was graded as low while 35.81 million kg was graded as medium and the remaining 13.5 million kg as bright” *The Hindu* reports.

According to the newspaper, the average price of tobacco in Karnataka have been on a decline since the last three years – from Rs.136 per kg during 2018-19 to Rs.124 during 2019-20 and to Rs.119.87 during 2020-21.

FCV tobacco auctions in the country witnessed severe disruptions last year in the wake of lockdowns imposed by the Government to combat the spread of Covid-19 pandemic. The Tobacco Board initially suspended auctions in both the FCV tobacco growing states of Andhra Pradesh and Karnataka in the third week of March 2020 and allowed gradual resumption of auctions only towards the end of April 2020. This left the farmers with huge unsold stocks amidst fears of crop damage owing to prolonged storage in open fields and crash in prices due to the delayed auctioning of the perishable crop.

In view of the massive disruptions in trade and in anticipation of drop in global demand, the Tobacco Board reduced the crop size for tobacco from a total of 235 million kgs in 2019-20 to 203 million kgs for the current year. While the authorized crop size for Karnataka has gone down from 99 million kgs before Covid-19 to 88 million kgs subsequently, the crop quota for Andhra Pradesh this year is fixed at 115 million kgs against 135 million kgs allowed for the crop year 2019-20. With reduced crop size, farmers will be left with huge unutilized land areas having no equally remunerative substitute crops to grow thus further reducing their farm earnings.